

Message Text

LIMITED OFFICIAL USE

PAGE 01 OECD P 04431 01 OF 03 121509Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06
OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 AGRE-00
OMB-01 FMC-01 DLOS-06 DOTE-00 OES-06 SAL-01 CG-00
DODE-00 SS-15 NSC-05 /119 W
-----121526Z 023393 /40

R 121458Z FEB 77
FM USMISSION OECD PARIS
TO SECSTATE WASH DC 5317
INFO ALL OECD CAPITALS 0694
USMISSION EC BRUSSELS

LIMITED OFFICIAL USE SECTION 01 OF 03 OECD PARIS 04431

DEPT PASS MARAD, FMC

E.O. 11652: N/A
TAGS: ETRN, OECD
SUBJECT: JAPANESE PROPOSAL TO TAKE ACTION AIMED AT
FAIRER SHARING OF SHIPBUILDING MARKET - WP6 MEETING,
FEB. 8-10

REF: OECD PARIS 1266

SUMMARY - JAPAN FORMALLY REJECTED THE EC PROPOSAL FOR
SHARING THE SHIPBUILDING MARKET BUT SAID WOULD TAKE
FOLLOWING MEASURES DURING 1977 AND 1978: (A) EXPAND THE
PRESENT PRICE GUIDELINES TO SMALLER SHIPS, LESS THAN
2,500 GRT, AND UNDERTAKE TO RAISE EXPORT PRICES (UN-
SPECIFIED AMOUNT); (B) ENCOURAGE EFFORTS BY JAPANESE
INDUSTRY TO RESTRAIN EXPORTS OF SHIPS, IN SITUATIONS
WHERE EUROPEANS IN EXCEPTIONAL DIFFICULTIES; (C) CON-
SIDER FURTHER ADJUSTMENTS IN WORKING HOURS WHEN JAPAN-
ESE MARKET SHARE IS EXPECTED TO GO ABOVE PAST LEVEL.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 04431 01 OF 03 121509Z

THE EUROPEANS WELCOMED JAPANESE WILLINGNESS TO FURTHER
CONTROL THE APPETITE OF THE JAPANESE SHIPYARDS BUT ARE
WARY OF THE PROPOSED JAPANESE APPROACH BECAUSE IT IS
VAGUE IN MANY RESPECTS AND BECAUSE IT MAY NOT BE EFFECT-
IVE IN TIME TO AVERT THE IMMEDIATE CRISIS FACING SOME
EUROPEAN SHIPBUILDERS. THE WP REVIEWED AN INTERIM
REPORT ON PROGRESS TOWARD IMPLEMENTATION OF THE GENERAL

GUIDELINES FOR GOVERNMENT POLICIES IN THE SHIPBUILDING INDUSTRY AND AGREED THAT THE SECRETARIAT SHOULD INCORPORATE IT IN AN AIDE MEMOIRE TO WHICH WOULD BE APPENDED THE JAPANESE DECLARATION AND THE MAIN POINTS OF WP6 DISCUSSION.

THE WP WILL MEET NEXT ON MARCH 22-23, 1977. END SUMMARY.

1. THE SUB-GROUP ON SHIPBUILDING SUPPLY AND DEMAND MET FEB. 7 AND HAS CREATED NEW FORMATS FOR REPORTING DATA TO THE WP THAT WILL SHOW NEW ORDERS ON A MONTHLY BASIS AND ORDERBOOKS ON A QUARTERLY BASIS. THERE IS STILL THE MATTER OF COMMON TERMS OF REFERENCE BEING WORKED OUT BETWEEN THE JAPANESE AND THE EUROPEANS AT THE INDUSTRY LEVEL TO EXPRESS SHIPBUILDING PRODUCTION IN TERMS OF BOTH THE MEASUREMENTS OF THE VESSELS BUILT AND THE AMOUNT OF MANHOURS INVOLVED. WHILE THE JAPANESE HAVE AGREED IN PRINCIPLE TO THE USE OF "COMPENSATED GROSS REGISTERED TONS" THERE IS STILL SOME APPARENT DISAGREEMENT OF AGREEMENT ON THE FORMULATION OF SUCH A STANDARD TERM OF REFERENCE.

2. THE JAPANESE DELEGATION, HEADED BY M. SHASHIKI, DIRECTOR OF SHIPBUILDING FOR THE MINISTRY OF TRANSPORT, FORMALLY REJECTED THE EC PROPOSAL ON MARKET SHARING (SEE OUR TELEGRAM OECD PARIS 37944) ON THE BASIS OF BOTH PRINCIPLE AND IMPRACTICABILITY. M. SHASHIKI, EMPHASIZING THE IMPORTANCE OF SHIPBUILDING IN JAPAN DOMESTICALLY, WENT ON TO OUTLINE WHAT THE JAPANESE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OECD P 04431 01 OF 03 121509Z

GOVERNMENT WAS COMMITTED TO DO IN THE CIRCUMSTANCES TO FURTHER COOPERATE WITH THE EUROPEANS AND TO CARRY OUT ITS RESPONSIBILITIES UNDER THE GENERAL GUIDELINES OF THE WORKING PARTY FOR GOVERNMENTS TO DEAL WITH THE SHIPBUILDING CRISIS. WE QUOTE VERBATIM HIS REMARKS SPECIFICALLY DEALING WITH MEASURES TO BE UNDERTAKEN BY THE JAPANESE GOVERNMENT:

" THE JAPANESE GOVERNMENT IS PREPARED TO TAKE THE FOLLOWING MEASURES AS EXCEPTIONAL AND ADDITIONAL ONES FROM 1ST JANUARY 1977, UNTIL 31ST DECEMBER 1978.

(A) IN ADDITION TO THE PRESENT PRICE GUIDELINES FOR LARGER SHIPS OF 2,500 GRT OR MORE, WHICH CONSIST OF COST AND REASONABLE PROFIT, THE JAPANESE AUTHORITIES WILL UNDERTAKE TO RAISE THE EXPORT PRICES OF SHIPS IN SUCH A WAY AS TO AFFECT THE INTAKE OF NEW ORDERS BY JAPAN WITH A VIEW TO AVOID EXCESSIVE CONCENTRATION OF PRODUCTION IN JAPAN. THE NEW MEASURE WILL BE EXTENDED IN RESPECT OF SHIPS UNDER 2,500 GRT. IN THIS CONNECTION, IT SHOULD BE POINTED OUT THAT, IN VIEW OF

THE FACT THAT THE EFFECT OF THIS MEASURE WILL BE LIMIT-

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 OECD P 04431 02 OF 03 121518Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06
OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 AGRE-00
OMB-01 FMC-01 DLOS-06 DOTE-00 OES-06 SAL-01 CG-00
DODE-00 SS-15 NSC-05 /119 W
-----121525Z 023438 /40

R 121458Z FEB 77
FM USMISSION OECD PARIS
TO SECSTATE WASH DC 5318
INFO ALL OECD CAPITALS 0695
USMISSION EC BRUSSELS

LIMITED OFFICIAL USE SECTION 02 OF 03 OECD PARIS 04431

ED IN THE SENSE THAT THE THIRD COUNTRIES MIGHT BENEFIT
RATHER THAN WEST EUROPEAN COUNTRIES, FURTHER
EFFORT WILL BE REQUIRED ON THE PART OF WEST EUROPEAN
COUNTRIES TO LOWER THEIR OFFERED SHIP PRICES.

(B) IN CASES IN WHICH PARTICULAR EUROPEAN COUNTRIES
PROVE, AS THE RESULT OF THE EXCHANGE OF INFORMATION ON
NEW ORDERS AND ON ORDERBOOKS, TO BE IN AN EXCEPTIONALLY
DIFFICULT SITUATION, THE JAPANESE AUTHORITIES WILL
ENCOURAGE EFFORTS BY THE INDUSTRIES CONCERNED BASED ON
CONTACTS WITH THEIR COUNTERPARTS IN THESE PARTICULAR
COUNTRIES, TOWARD ADOPTING SPECIFIC AND EXCEPTIONAL
MEASURES TO RESTRAIN EXPORTS OF SHIPS TO THESE COUN-
TRIES.

(C) IT IS OUR FIRM BELIEF THAT THE SITUATION COULD BE
SUBSTANTIALLY IMPROVED BY THE INTRODUCTION OF THE ABOVE
MEASURES. THE JAPANESE GOVERNMENT IS ALSO PREPARED TO
EXAMINE THE POSSIBILITY OF STRENGTHENING THE PRESENT
MEASURES FOR ADJUSTMENTS OF WORKING HOURS IN THE SHIP-
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 04431 02 OF 03 121518Z

BUILDING INDUSTRY, IN CASES IN WHICH JAPANESE SHARE OF THE WORLD SHIP PRODUCTION IS EXPECTED, AS THE RESULT OF MONTHLY MONITORING, TO INCREASE BEYOND ITS PAST LEVEL." (COMPLETE TEXT OF THE STATEMENT BEING AIR-POUCHED.)

3. EUROPEAN DELEGATES, WHO WERE NOT GIVEN ADVANCE INFORMATION ON THE JAPANESE MEASURES, WERE NATURALLY UNPREPARED TO COMMENT UPON SAME IN DETAIL, WITH CONSENSUS OR FINALITY. INITIAL REACTION, HOWEVER, WAS A GENERAL APPRECIATION OF THE JAPANESE MOVE TO FURTHER THEIR CONTROL OVER THE SHIPYARDS ALONG WITH MISGIVINGS ABOUT THE UNSPECIFICITY OF THE JAPANESE MEASURES IN TERMS OF DEFINITION AS WELL AS THE MECHANICS OF IMPLEMENTATION. THERE WAS ALSO CONCERN ON THE PART OF THE EUROPEANS AS TO THE REAL POLICY COMMITMENT REPRESENTED BY THE JAPANESE AS TO THE EFFECTIVENESS OF THE PROPOSED MEASURES IN TERMS OF THEIR UNSPECIFIED INTENSITY AND TIMING. WHILE THE EUROPEANS RAISED LITERALLY DOZENS OF QUESTIONS CONCERNING THE NEW JAPANESE MEASURES, THE JAPANESE DELEGATION RESPONDED BY ADDRESSING THEMSELVES ONLY TO A FEW OF THE ISSUES RAISED. THEY EMPHASIZED THAT BECAUSE OF THE DOMESTIC POLITICAL AND ECONOMIC IMPACT OF SHIPBUILDING IN THEIR COUNTRY, THE JAPANESE GOVERNMENT'S APPROACH TO LIMITING THE COMPETITIVE STRENGTH OF JAPANESE SHIPYARDS HAD TO BE BOTH SUBTLE AND GRADUAL; THAT SUDDEN AND DRAMATIC RESTRICTIONS ON PRICING AND PRODUCTIVITY WOULD MEET GREAT RESISTANCE. AS TO THEIR OWN MARKET SHARE, THE JAPANESE WILL NOT, THEY EMPHASIZE, EVER ATTEMPT TO EXCEED FIFTY PERCENT AND WILL MOST PROBABLY NEVER ATTAIN A FIFTY PERCENT SHARE OF THE MARKET IN THE FUTURE. EUROPEANS ASKED WHAT FIFTY PERCENT MAXIMUM LEVEL MEANT. THEY FELT THAT MEASUREMENT SHOULD NOT REFER TO ORDERBOOKS (WHICH IS BASIS USED BY JAPANESE) BUT TO NEW ORDERS. FOR INSTANCE IN 1976 OVER 80 PERCENT OF THE NEW ORDERS WENT TO

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OECD P 04431 02 OF 03 121518Z

JAPANESE SHIPYARDS.

4. IN AN EFFORT TO FORMALIZE COMMITMENTS MADE SO FAR WITHIN THE WP TO DEAL WITH THE SHIPBUILDING CRISIS, THE WP SECRETARIAT PRESENTED A DRAFT OF A DOCUMENT ENTITLED "IMPLEMENTATION OF THE GENERAL GUIDELINES". AT THE INSISTENCE OF THE EUROPEANS, THE DOCUMENT WAS RE-ENTITLED AN "INTERIM REPORT ON PROGRESS TOWARD

IMPLEMENTATION OF THE GUIDELINES" AND SUBSTANTIAL CHANGES WERE MADE TO THE DOCUMENT AT THE REQUEST OF THE JAPANESE AND THE EUROPEAN DELEGATIONS TO MORE ACCURATELY REFLECT THEIR RESPECTIVE POSITION. HOWEVER, THE JAPANESE AND EUROPEANS COULD NOT REACH AGREEMENT ON IMPORTANT PARAGRAPHS AND ISSUES REGARDING MEASUREMENT OF DISEQUILIBRIA AS WELL AS MEANS AND TIMING OF CORRECTIVE MEASURES ESPECIALLY IN THE FIELD OF PRICES. A REVISED DRAFT OF THE INTERIM REPORT IS TO BE INCLUDED IN AN AIDE-MEMOIRE FOR CONSIDERATION AT THE NEXT MEETING. ALSO TO BE INCLUDED WILL BE THE OPERATIVE PARAGRAPHS OF THE JAPANESE DECLARATION AS WELL AS THE QUESTIONS RAISED BY THE EUROPEANS IN THE COURSE OF THE MEETING WHICH WERE NOT ADDRESSED BY THE JAPANESE DELEGATION.

5. OTHER BUSINESS:

THE CHAIRMAN TOLD THE WP THAT THE REPRESENTATIVES OF THE TRADE UNION ADVISORY COMMITTEE COULD NOT ACCEPT THE INVITATION TO MEET WITH THE WP DURING THE COURSE OF THE PRESENT MEETING DUE TO A CONFLICT IN MEETING SCHEDULES BUT WILL ACCEPT AN ALTERNATIVE DATE.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 OECD P 04431 03 OF 03 121518Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06
OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 AGRE-00
OMB-01 FMC-01 DLOS-06 DOTE-00 OES-06 SAL-01 CG-00
DODE-00 SS-15 NSC-05 /119 W
-----121527Z 023465 /40

R 121458Z FEB 77

FM USMISSION OECD PARIS
TO SECSTATE WASH DC 5319
INFO ALL OECD CAPITALS 0696
USMISSION EC BRUSSELS

LIMITED OFFICIAL USE SECTION 03 OF 03 OECD PARIS 04431

WP6 DECIDED TO HOLD THE CONSULTATION WITH TUAC AT ITS NEXT MEETING AT THE END OF MARCH.

6. NEXT MEETING:

MARCH 22-23, 1977 WITH FOLLOWING AGENDA:

1. FINAL VERSION OF THE AIDE-MEMOIRE,
2. CONSULTATION WITH THE TRADE UNION ADVISORY COMMITTEE;
3. FOLLOW-UP OF THE DISCUSSION ON IMPLEMENTATION OF THE GENERAL GUIDELINES.

7. COMMENT:

NO FORMAL AGREEMENT WAS REACHED AT THIS SESSION. THE EC HAS MAINTAINED ITS PROPOSAL FOR A SPECIFIC MARKET SHARING AGREEMENT. THE JAPANESE HAVE REJECTED THIS BUT PROVIDED INDICATIONS THAT THEY ARE PREPARED TO TAKE SOME ACTIONS TO MEET THE EUROPEAN CONCERNS. THE JAPANESE STATEMENTS WERE DELIBERATELY VAGUE, AND THE JAPAN-LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 04431 03 OF 03 121518Z

ESE MADE IT CLEAR THAT FOR DOMESTIC REASONS THEY COULD NOT BE MORE PRECISE. THE ESSENTIAL QUESTION THE EUROPEANS WILL HAVE AT THIS POINT IS HOW MEANINGFUL WILL THESE JAPANESE MEASURES REALLY PROVE TO BE. THE EUROPEAN ABILITY TO TAKE COUNTER-MEASURES IN THE SHIPBUILDING AREA ITSELF IS LARGELY CONFINED TO PROVIDING SUBSIDIES AND GIVEN THE DIFFERENCES AMONG EC COUNTRY POSITIONS NO COMMON POLICY ON THIS SEEMS LIKELY TO EMERGE. INDIVIDUAL COUNTRIES LIKE THE U.K. AND THE NETHERLANDS SEEM ALREADY PREPARED TO ACT UNILATERALLY IN THIS AREA. THE COMMUNITY ALSO HAS POSSIBLE STRINGS TO ITS BOW OUTSIDE THE SHIPBUILDING AREA; THAT IS, THE POSSIBILITY OF RETALIATION IN OTHER SECTORS. THE PRESS HAS SPECULATED THAT THE ALLEGED MANNER IN WHICH THE EC IMPOSED DUTIES ON ROLLER BEARINGS WAS MOTIVATED BY THE DESIRE TO FIRE A SHOT ACROSS THE JAPANESE BOW RE SHIPBUILDING. WHATEVER THE TRUTH OF THIS ALLEGATION, IT IS CLEAR THAT FEELINGS ARE HIGH AND CONCERN IS GREAT. WE THINK THE EC CONSIDERS THE RESULTS OF THIS MEETING TO BE A STEP IN THE RIGHT DIRECTION, BUT NOT A SOLUTION TO A POTENTIALLY DANGEROUS PROBLEM. THEY WILL BE SCRUTINIZING WITH EXCEPTIONAL ATTENTION THE TREND OF NEW ORDERS FOR SHIPS, AND IF THE SITUATION CONTINUES TO DETERIORATE THEY WILL RENEW THE PRESSURE IN THIS SECTOR AND MAY, ALTHOUGH THE JAPANESE SEEM TO HAVE MET MANY OF THEIR CONCERNS IN OTHER AREAS, PUT PRESSURE ON ELSEWHERE AS WELL.

TURNER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SHIPBUILDING INDUSTRY, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 12-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977OECDP04431
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770051-0334
Format: TEL
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770247/aaaabpfu.tel
Line Count: 332
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f00d6ec7-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 OECD PARIS 1266
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3335032
Secure: OPEN
Status: NATIVE
Subject: JAPANESE PROPOSAL TO TAKE ACTION AIMED AT FAIRER SHARING OF SHIPBUILDING MARKET - WP6 MEETING, FEB. 8-10
TAGS: ETRN, OECD
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/f00d6ec7-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009